



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 9/25/2003

GAIN Report #KE3007

Kenya

Grain and Feed

Maize Update

2003

Approved by:

Virginia Palmer

U.S. Embassy

Prepared by:

Mary Onsongo

Report Highlights:

Kenya maize supply for 2002/03 is recorded at 32 million 90 kg bags and a drop is forecast for 2003/04 to 31 million bags. The decline is attributed to poor and erratic distribution of long rains and minimal beginning stocks. Commercial imports from South Africa and neighboring countries are mitigating the shortage.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Nairobi [KE1], KE

TABLE OF CONTENTS

Executive Summary 1

Production 1

 Early Crop 1

 Main Crop 1

Consumption 1

Trade 2

 Maize Prices 2

Stocks 2

Policy 2

Executive Summary

The Ministry of Agriculture recorded Kenya's maize supply (production, imports, stocks) for 2002/03 at 32 million 90 kg bags. Maize supply is estimated at 31 million 90 kg bags for the 2003/04. The decline is attributed to minimal beginning stocks and unfavorable weather conditions experienced during the long rain crop season. The country's 2003/04 maize supply appears problematic as reserve stocks are minimal. Commercial imports from South Africa (48,000 tons), Malawi/Mozambique/Zambia (27,000 tons), Uganda (36,000 tons) and Tanzania (63,000 tons) have been received by the millers to meet the shortfall. Maize prices have remained high despite the imports, and prices are not expected to fall through the peak harvesting period in November and December.

Production

The Ministry of Agriculture reported 32 million 90 kg bags for 2002/03 and 31 million 90 kg bags for 2003/04 (estimate). The decline is attributed to late and sparse rainfall and insufficient beginning stocks.

Early Crop

Delayed and sparse rains prevented farmers from harvesting their early crop until July, a month later than usual. Harvesting has started in the lowlands of Eastern and Central provinces, Nyanza and south Rift (Narok, Bomet, Bureti etc.). The ministry expects the early crop to amount to 396,000 tons, 20 % of national output. The estimates for the end of the first quarter project 705,000 tons of maize (made up of 135,000 beginning stocks, 396,000 early crop harvest, 174,000 imports) which leaves a 24,000 ton shortfall from the estimated consumption of 729,000 tons.

Main Crop

Farmers in the Western Province (Bungoma, Mt Elgon, Lugari, etc.) and the North Rift (Kericho, Uasin Gishu, Trans Nzoia, etc.) will begin harvesting the main crop in early November and will continue into January. The Ministry of Agriculture projects that the long rains harvest will produce 22.86 million bags of maize, leaving a projected overall shortfall of 70,000 tons for 2003/04. Other industry analysts forecast a lower production (20 million bags) for 2003/04. The Kenya Meteorological Department has forecast a poor short rains season making even more depressed production likely.

Consumption

Kenya's projected consumption of maize for 2003/04 (2.88 million tons) outstrips domestic supply production (2.81 million tons) by 70,000 tons. The unfavorable rains also affected the cultivation of other food crops that could have mitigated the maize shortage. Kenyan millers will be forced to import maize at the current duty rate of 25 percent. The government has refused to lift the duty for fear it would be detrimental to Kenya's main maize harvest beginning in November. Kenya millers are processing between 750,000 and 1 million bags of maize, significantly less than maximum capacity (estimated between 10 to 12 million bags).

Trade

The country's shortfall is being met through informal/formal cross border imports and commercial imports from South Africa and COMESA member states. Despite the 25 percent duty on maize there was substantial imports from South Africa (48,000 tons), Uganda (36,000 tons), Tanzania (63,000 tons) and Malawi/Mozambique/Zambia (27,000 tons).

Maize Prices

Supply shortages in the main maize producing areas have kept maize prices high (USD 19 - 21 per bag). However during August/September the upward trend of prices reversed in Western and Nyanza due to renewed supplies from the early harvesting districts and imports. The National Cereals and Produce Board (NCPB) has also released into the market about 1 million 90 kg bags from the strategic grain reserves, sold for USD 17 per bag (old maize). Although upward pressure has relented, prices still remain higher than would be in a normal year (USD 15); a further decline in prices is expected in November with the main harvests.

Stocks

Stock estimates are difficult to capture as most stocks are undeclared. National stocks are estimates based on National Cereals and Produce Board (NCPB), millers and household stocks. The beginning stocks for 2003/04 are estimated at 135,000 tons. Given the reduced production caused by the weather the country is expected to end with a deficit of about 70,000 tons.

Policy

Kenya, a high cost maize producer, needs to put more effort into maize production policies if it wishes to compete with neighboring countries. Poor crop husbandry, high cost of farm inputs, lack of affordable credit among others are the main contributors to the high cost of maize production. The Poverty Reduction Strategy Paper (PRSP) and Medium Term Expenditure Framework programs have attempted to solve the maize constraints without much success. The government needs to shift its focus from securing prices to increasing productivity.